Bernalillo County

Investment Policy

August 2016

Bernalillo County Treasurer, Manny Ortiz
Board of County Commissioners:
Art De La Cruz, Chair
Wayne A. Johnson, Vice Chair
Debbie O'Malley, Member
Maggie Hart Stebbins, Member
Lonnie C. Talbert, Member

Table of Contents

I. Statement of Purpose/Statutory Authority 3

II. Definitions 4

III. Standards of Care 5

IV. Identification of Funds 7

V. Controls 7

A Custody. 7

B. All Trades Delivered by DVB 7

C. Authorized Broker-Dealers. 7

D. Authorized Financial Institutions and Other Investment Counterparties 8

E. Competitive Transactions 8

F. Internal Controls 9

G. Investment Committee 9

H. External Controls 10

VI. Bank Deposits 10

VII. Eligible Investments 11

A. Eligible Investments. 11

B. Repurchase Agreements 12

VIII. Investment Parameters 13

A. Diversification: 13

B. Maturity Restrictions 14

C. Portfolio Duration 14

D. Credit Quality 14

IX. Reporting 15

A. Specific Reporting Requirements: 15

B. Performance Standards 15

C. Quarterly Reporting 15

D. Annual Reporting 15

X. Approval 16

I. Statement of Purpose/Statutory Authority/Objectives:

A. Purpose of Investment Policy.

This Investment Policy is adopted by the County Board of Finance and the County Treasurer. The Board of Finance and the Treasurer desire to maintain adequate liquidity through matching the County's cash flow projections with short term cash balances. All deposits and investments should be consistent with the highest standards of safety through proper management of market and credit risk.

B. Statutory Authority.

The Investment Policy clarifies the delegation and implementation of statutory duties of the County Treasurer and the County Board of Finance with regard to the investment of public funds. Of course, simply, in the event of a conflict between this Investment Policy and the respective statutory provisions, the statutory provisions control.

The County Treasurer or his designee is authorized to supervise the deposit and safekeeping of the public money of Bernalillo County and all the money which may at any time come into or be in his/or her possession as County Treasurer and ex-officio tax collector. This authority shall be exercised by and with the advice and consent of the County Board of Finance, and with that advice and consent, designate banks, savings and loan associations and credit unions. New Mexico Statutes Annotated 1978 § 4-43-2.

The Board of County Commissioners is authorized to constitute a County Board of Finance to supervise the determination of the qualifications of the institutions receiving the public money of Bernalillo County and provide advice and consent to the County Treasurer on all investments and deposits of County monies. New Mexico Statutes Annotated 1978 § 6-10-8.

Specific statutory authority of the County Treasurer concerning the investment of public funds, with the advice and consent of the County Board of Finance, can be found in New Mexico Statutes Annotated 1978 §§ 6-10-8; 6-10-10; 6-10-10.1; 6-10-24; 6-10-44 ; and 6-10-44.1.

C. Objectives.

Funds will be invested in a manner that is in conformance with Federal, State, and County legal requirements. The objectives of the County shall be based upon a risk tolerance analysis adopted annually by the County Board of Finance which shall balance the three following objectives:

1. **Safety.** The first priority is the preservation and protection of the principal of the funds to be invested. Risk elements include duration, credit soundness and liquidity;

2. **Maintenance of Liquidity Needs.** The second priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific funds invested; and

3. **Return on Investments.** The third priority is to optimize investment return, consistent with the higher priorities accorded to the safety and liquidity of principal. Return may only be considered a priority when safety and liquidity have already been ensured.

D. Scope.

This Investment Policy is a comprehensive guide governing the investment functions of the County Treasurer and County Board of Finance with respect to public money of Bernalillo County, New Mexico invested by the Treasurer with the advice and consent of the Board of Finance in the

exercise of statutory authority. The policy covers all monies invested by the Treasurer. It does not apply, in its entirety, to funds held in the County's operating and savings bank accounts with the fiscal agent bank.

II. Definitions:

Investment Officer	The individual or third-party entity authorized and selected by the County Treasurer and County Board of Finance to understand, invest, manage, and monitor the County's portfolio of assets in the custody of the County Treasurer, with the advice of a Registered Investment Advisor (RIA), in cooperation with the County Treasurer on behalf of Bernalillo County. The Investment Officer will devise strategies for growth, and is charged with recognizing and avoiding serious risks. If the County elects to use the third-party entity to provide investment management services as described above, the position of Investment Officer may be incorporated into the Investment Advisor position.
Investment Advisor	A person or entity registered with the Securities and Exchange Commission (SEC) under the Investment Adviser's Act of 1940 as a registered investment advisor (RIA), or a state, approved by and reporting to the County Treasurer and County Board of Finance that is responsible for advising the Investment Officer and County Treasurer and that may independently manage a securities portfolio on behalf of the County of Bernalillo. The Investment Advisor shall not be a broker/dealer and shall not have a conflict of interest in carrying out its duties as a fiduciary. The Investment Advisor may perform the duties of the Investment Officer in addition to its advisory duties.
Custodian	A specialized financial institution that is a member of the Securities Investor Protection Program (SIPC), approved by the County Treasurer and County Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping. Selection of a Custodial Bank should follow state and county procurement rules and procedures.
Duration	A measure of the sensitivity of an underlying security, or portfolio, to changes in interest rates.
Operating Liquidity Component	Provides funds for short-term cash needs of the County. The liquidity component is expected to have minimal liquidity risk and all investments in this component are constrained to investments of less than one (1) year final maturity
Operating Long-term Component	Comprises cash that is not reasonably expected to be necessary to meet the short-term cash flow needs of the County. Accordingly, it may be invested over a longer term than the liquidity component as specified by the maturity restrictions of Section VIII B.
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.
Fiscal Agent Bank	A bank, appointed by the County Treasurer and County Board of Finance, acting on behalf of the County of Bernalillo, to perform various financial functions that include the processing and handling of cash activities.
Maturity Date	The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest.

WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.

III. Standards of Care:

A. The County Board of Finance shall delegate its investment advisory authority in one of two ways:

1. Delegation to Investment Officer with the advice of an Investment Advisor: By contracting with an Investment Advisor to provide advice to an Investment Officer who shall possess the Board's authority to make investments for the County along with the Treasurer as follows:

a. The Investment Officer shall have specific expertise in fixed income securities management, cash management and risk management in order to achieve the objectives of the Investment Policy.

b. Every investment of public monies shall be completed with the County Treasurer and Investment Officer's specific dual written approval with the advice of a Registered Investment Advisor; or,

2. Delegation of the Board's Advisory Authority to an Investment Advisory Firm which combines the Officer and Advisor duties as follows:

a. The Investment Advisory Firm shall have specific expertise in fixed income securities management, cash management and risk management in order to achieve the objectives of the Investment Policy.

b. Every quarter, the strategy for the investment of public monies shall be adopted by the County Treasurer (or designee) and County Manager (or designee) with specific dual written approval.

3. The County Treasurer and the Investment Officer (If option 2 is chosen and an Investment Advisory Firm is selected the duties and title of "Investment Officer and Advisor" shall be completed and held by the Investment Advisory Firm) shall report to the County Board of Finance monthly through a written report and quarterly at County Board of Finance meetings.

4. In addition to specific investment responsibilities, the Investment Officer, working with the County Treasurer, shall also track investments, provide securities settlement and cash transfer support and manage the collateral process for the depository relationships by entities within the County.

5. In the event there is no Investment Officer or Investment Advisory Firm serving, the Board of Finance's authority of advice and consent for all investments of public money shall be delegated to the County Manager, or Manager Designee, for dual written approval with the County Treasurer as provided in Subparagraph 3 above.

6. The County Board of Finance's statutory authority, except as delegated above, is retained by the County Board of Finance.

B. County Treasurer's Duties under the Investment Policy.

1. The County Treasurer retains all of his/her statutory authority and responsibility to properly deposit and invest the public monies of Bernalillo County. The authority shall be exercised in compliance with this Investment Policy.

2. The County Treasurer shall perform his/her duties in conjunction with, and in cooperation with the Investment Officer, recognizing that the County Board of Finance's authority of advice and consent on specific deposits and investments is exercised by the Investment Officer.

C. Ethics and Conflict of Interest.

The Board of Finance, the County Treasurer, Investment Officer, Investment Advisor, all broker/dealers and other finance, investment and securities professionals with the Treasurer's office shall become familiar with and comply with the Investment Policy, the standards of conduct and all policies of the office of the County Treasurer and laws as described below, and generally pertinent laws of the State of New Mexico.

1. Standards of Conduct.

The Board of Finance, the County Treasurer and the Investment Officer shall adhere to standards of conduct required by the following:

- The Bernalillo County Code, Code of Conduct, 2-126 to 2-139;
- The Governmental Conduct Act, NMSA §§ 10-16-1 to -18;
- The Gift Act, NMSA 1978 §§10-16B-1 to -4; and
- The Procurement Code, NMSA 1978 §§ 13-1-28 to 199.

2. Conflict of Interest.

The Board of Finance, the County Treasurer, the Investment Officer, the Investment Advisor and all of their officers and employees involved in the investment process shall abide by the provisions of the Bernalillo County Code of Conduct and refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Each person involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the County Clerk. They shall further disclose in writing any personal financial/investment positions that could be related to the performance of the County's investment portfolio. All persons involved in the investment process shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the County.

D. Prudence.

The County Treasurer and the Investment Officer shall perform their investment duties in a manner consistent with this Investment Policy and the standards applicable to their respective positions.

1. The County Treasurer shall perform his or her duties following a prudent person standard.

2. The Investment Officer shall perform his/her duties in the manner of a prudent person in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

3. In investing, the County Treasurer and the Investment Officer should exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this policy or documented through procedures.

4. The County Treasurer and Investment Officer shall act in accordance with New Mexico Statutes, written procedures, which shall be adopted by the County Treasurer with the advice and consent of the Board of Finance within one hundred and eighty (180) days of the

adoption of this Policy, and the time limit may be extended for good cause or upon agreement by the Treasurer and the Board of Finance.

IV. Identification of Funds:

This Investment Policy applies to the investment of all funds managed by the County Treasurer, with the advice and consent of the County Board of Finance.

A. Fiscal Agent Bank Balances are monies held at the fiscal agent bank and are managed to a target balance after payment of checks, warrants, ACH volume and wire transfers processed by the County.

B. The Repurchase Pool acts as a repository for cash balances of the County.

C. The Operating Funds Investment Portfolio is comprised of funds not immediately needed in cash balances to cover county expenses and debts. The Portfolio is separated into two primary components based upon the expected cash flow needs of the County.

1. **Liquidity component** provides funds for short-term cash needs of the County. The liquidity component is expected to have minimal liquidity risk and all investments in this component are constrained to investments of less than one (1) year final maturity.

2. **Long-term component** comprises cash that is not reasonably expected to be necessary to meet the short-term cash flow needs of the County. Accordingly, it may be invested over a longer term than the liquidity component as specified by the maturity restrictions of Section VIII B.

D. The Bond Proceeds Investment Portfolio is comprised of a pool of the proceeds of all bonds issued by the County. The funds in this portfolio are managed to meet anticipated draw schedules for capital projects.

V. Controls:

A. Custody.

All investment securities purchased by the County, held as collateral on repurchase agreements and bank deposits shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held for the County Treasurer's portfolio will be held free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978 § 6-10-10 with a goal of contemporaneous transfer and same day settlement

The custodian will provide monthly reports, which list all transactions that occurred during the month and all securities held for the County Treasurer at month-end including the book and market value of holdings. These reports are retained by the Treasurer's Office and Accounting & Budget Department.

The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the County Treasurer shall be bonded in amounts required by the County Board of Finance under a custody agreement to protect from losses, from malfeasance and misfeasance.

B. All trades to be done Delivery vs. Payment (DVP).

C. Authorized Broker-Dealers.

Unless there is a registered investment advisor/manager executing trades on behalf of the County, the County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized brokers and dealers. The County Treasurer will maintain a list

of broker-dealers authorized to provide investment services to the County. The Broker-Dealer list shall be posted on the County's Transparency web site. Authorized Broker-Dealers will be limited to those who meet all of the following conditions:

- Broker-Dealer refers to firm and individual employees of these firms that have direct contact with the County Treasurer's office.
- The Broker-Dealer must be a registered dealer pursuant to the Uniform Securities Act of New Mexico[1] and,
- The Broker-Dealer must be registered with the financial industry regulatory authority (FINRA); and,
- The Broker-Dealer must have a minimum of five (5) years of current and continuous employment history involving fixed income securities; and,
- All assigned individuals who have direct contact with securities trading between the County Treasurer's office and the firm must have a FINRA Series 7 license, or equivalent certification.

D. Authorized Financial Institutions and Other Investment Counterparties.

The County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized financial institutions and investment counterparties (other than Broker-Dealers, which are addressed in section V.C above) authorized to provide investment services to the County. The County Treasurer and Investment Officer will maintain a list of financial institutions and investment counterparties authorized to provide investment services to the County. This list shall be placed on the County's Transparency web site. Authorized financial institutions and investment counterparties will be limited to those who meet any of the following conditions:

- Certified or designated bank, savings and loan associations or credit unions located in Bernalillo County eligible to receive public money on deposit in New Mexico; or
- Direct issuers of eligible investments; or,
- Registered investment advisor.

E. Competitive Transactions.

The County Treasurer and Investment Officer will conduct all securities transactions in a fair, open and transparent competitive process. By July 1, 2014, the County Treasurer and the Investment Officer shall employ electronic trading platforms for open market security transactions, contingent upon the availability of funding by the Board of County Commissioners.

- All securities transactions shall be executed at a price most advantageous to the County.
- An effort to obtain at least three bids or offers will be conducted, or documentation of comparable securities levels retained, in order to ensure records evidencing price transparency and competitive levels.
- Offers or bids for securities for other than open market securities may be received from approved broker-dealers or direct issuers by any of the following means:
  - By phone, with immediate written or e-mail documentation of the transaction;
  - By e-mail or other form of electronic communication; or,
  - Directly from issuers of eligible investments.

---

[1]Uniform Securities Act of New Mexico, NMSA 1978 §§58-13C-101 to -701 (2009)

F. Internal Controls.

The County Treasurer and the Investment Officer will maintain written procedures and will establish internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will include, but not be limited to:

- Regular communication between the County Treasurer and Investment Officer and/or Board of Finance regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Compliance with all approved policies by investment and accounting staff;
- Compliance with applicable Federal, State and County statutes;
- Requiring DVP except for physical securities;
- Clear delegation of investment authority;
- Separation of investing authority from cash activities and record-keeping;
- Sufficient collateralization of deposits that meets or exceeds statutory requirements;
- Use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the County;
- Report of violations of this policy immediately to the Board of Finance; and,
- Use of approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.

G. Investment Committee. The County Treasurer shall appoint an Investment Committee, with the advice and consent of the Board of Finance, to review investment reporting and perform duties as described in sub-paragraph two (2).

1. Members.

The Committee shall be comprised of five members: the County Treasurer; the County Manager; the Deputy County Manager for Finance; one community member with expert knowledge or professional experience in the subject of public finance or investment of public funds; and one member that is a member of the Board of Finance whom is selected unilaterally by the Board. The Investment Officer and the Investment Advisor shall serve as staff to the committee. The community member shall serve a four-year term. A vacancy created by the loss of the community member shall be filled in the same manner as the original appointment.

2. Duties.

(a) Review and recommend changes to the Investment Policy to the County Treasurer and County Board of Finance at least annually. The County Board of Finance shall adopt a resolution, stating that it has reviewed the Investment Policy and that the resolution adopted shall record any changes made to the Investment Policy.

(b) The Investment Committee shall monitor the investment transactions to ensure that proper controls are in place to guarantee the integrity and security of the County Treasurer's investment Portfolio.

(c) Ensure that current State laws and policies of Bernalillo County, are being adhered to by the County Treasurer, Board of Finance and Investment Officer.

(d) Meet as appropriate, but not less than quarterly, to deliberate such topics as: economic outlook, portfolio diversification and maturity structure, benchmarks, potential risks and the target rate of return on the investment portfolio. A quorum is necessary to conduct a meeting.

(e) Identify potential violations of the Investment Policy and immediately communicate any problems to the County Treasurer and the County Board of Finance and suggest remedial actions to achieve conformity with the Investment Policy.

H. External Controls.

The County Treasurer and the Investment Officer will keep all records related to investment activities.

- The County's Internal Auditor or designated independent auditor will review the investment activities of the County Treasurer's office annually to determine the compliance of those activities with this policy and State statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the County Treasurer and Investment Officer.

VI. Bank Deposits.

Fiscal Agent Bank Operating Account:
All deposits in the fiscal agent bank operating account shall comply with state statutes. Statutory collateral requirements for bank deposit required collateral is governed by NMSA 1978 §§ 6-10-16 and 6-10-17. For repurchase agreements, the governing statute is NMSA 1978 §6-10-10 (H).

Bank CDs and Negotiated Deposits:
Public money may be deposited/invested with banks, savings banks and credit unions, which have qualified as public depositories per state statute. All banks and savings banks in which the County funds deposited are in excess of $250,000.00 will be required to enter into a Collateral Security Agreement which shall be mutually agreed upon by the Treasurer and the financial institution per Section 6-11-18A NMSA 1978. These bank deposits must be collateralized for any balances above the amount insured by FDIC insurance ($250,000). Collateral requirements are per bank and must have a daily closing price ("mark-to-market") that is equal to or greater than amounts listed in the chart below:

	Collateral Required: For Deposits with Maturity Greater Than 1 day (% of total deposits per institution)	Portfolio Concentration	Bank Criteria
1.	102%	See diversification requirements in section VIII of this policy.	1. Qualified depository per 6-10-10.A, NMSA, 1978.
	For Deposits with *Daily Liquidity*	Concentration	Quality Criteria
2.	50% Per the statutory requirements of Sections 6-10-15, 6-10-16 and 6-10-17, NMSA 1978.	Less than or equal to $75 million plus tax collections pending distribution.	1. Qualified depository per 6-10-10.A, NMSA, 1978. 2. The bank meets all of the risk assessment ratio requirements outlined in NMAC

			2.60.4.9 to qualify to collateralize at the 50% level for public funds of the State of New Mexico.
3.	102%	Greater than $75 million (balances do not include tax collections pending distribution).	1. Qualified depository per 6-10-10.A, NMSA, 1978.

VII. Eligible Investments:

A. Eligible Investments.

All money not immediately necessary for public use or not invested in or deposited in banks, savings and loans or credit unions shall be invested in accordance with New Mexico Statutes Annotated 1978 §§6-10-10 and 6-10-10.1, including but not limited to the following:

1. Bonds or negotiable securities of the United States, the state or a county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least fifty million dollars ($50,000,000) and that has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or,
2. Securities that are issued and backed by the full faith and credit of the United States government or issued by its agencies or instrumentalities; or

3. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars ($100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

4. Individual, common or collective trust funds of banks or trust companies that invest in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars ($100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

5. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection E of Section 6-8-7 NMSA 1978; provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

6. In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be fully secured by obligations of the United States or

other securities backed by the United States having a market value of at least one hundred two percent (102%) of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment; or,

7. Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser; or,

8. Federally insured obligations, including brokered certificates of deposit, certificate of deposit account registry service and federally insured cash accounts; or

9. State of New Mexico Local Government Investment Pool.

B. Repurchase Agreements.

Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with approved dealers, the County's Fiscal Agent Bank, approved counterparties under a securities lending arrangement, or master Custodial Bank, and under the terms of written master repurchase agreement or securities lending arrangement;
- Counterparties will have a rating of "A" or better from a nationally recognized statistical rating agency;
- The maximum term of any repurchase agreement will be one (1) year, except in the case of bond proceeds where a repurchase agreement is limited to three (3) years; and,
- Tri-Party Repo may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements below.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with maturity under ten (10) years, will be priced at one hundred two percent (102%) of market value, plus accrued income;
- Securities with a final maturity of ten (10) years or greater placed as collateral for repurchase agreements will be priced at one hundred three (103%) of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at one hundred five (105%) of market value, plus accrued income while this type of term repurchase agreements held by the County at the time of the adoption of this policy shall be priced at one hundred and three (103%) of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven (7) days are required to have daily pricing of collateral; and
- All collateral shall be marked to market daily.

VIII. Investment Parameters:

To provide for the safety and liquidity of funds availability, the investment portfolio will be subjected to the restrictions listed below. These represent investment restrictions under this investment policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments.

All restrictions are based on a settlement date basis.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund balances). Exceptions will be reported to the County Treasurer, the Investment Committee, and the County Board of Finance monthly.

A. Diversification.

The following diversification limits shall apply to **operating fund** portfolio:

Allowable Securities	*Diversification Limits*	*Further Limitations*
US Treasury Obligations	100%	
US Agency Obligations	100%	Per Issuer: 35%
US Agency Issued Mortgage Securities	25%	
Bank Demand Deposits	100%	See collateral requirements Section VI of this policy.
Certificates of Deposit	$10 Million	See collateral requirements Section VI of this policy.
NM LGIP	35%	No more than 35% of NM LGIP
Municipal Securities	15%	Per Issuer: 5%
Repurchase Agreements	100%	Per Counterparty: 35%
Variable Rate Obligations	25%	
Callable Securities	25%	

The following diversification limits shall apply to **bond proceeds** portfolio(s):

Allowable Securities	*Diversification Limits*	*Further Limitations*
US Treasury Obligations	100%	
US Agency Obligations	5%	
US Agency Issued Mortgage Securities	5%	
Bank Demand Deposits	100%	See collateral requirements Section VI of this policy and Subject to IRS rule listed in this table
Certificates of Deposit	$10 Million	See collateral requirements Section VI of this policy and Subject to IRS rule listed in this table
IRS RULE: Aggregate of Federally Insured Deposits and/or obligations guaranteed by the United States government	5%	
NM LGIP	35%	No more than 35% of NM LGIP
Municipal Securities	15%	Per Issuer: 5%
Repurchase Agreements	100%	Per Counterparty: 35%
Variable Rate Obligations	25%	
Callable Securities	25%	

B. Maturity Restrictions.

1. Maturity limits for the long term component:

Allowable Securities	*Maturity Limits*	*Further Limitations*
All Securities	5 Years	
Certificates of Deposit	3 Years	
Municipal Bonds	3 Years	
Term Repurchase Agreements	1 Year	For BPIPs: 3 Years

2. Maturity limits for the liquidity component of the Operating Funds portfolio:

(a) An amount equal to at least fifteen (15) percent of the annual operating budget of the County, at the time the original budget is approved, plus estimates of cash flow expenditures from certain special revenue, grant and capital funds shall have a maturity limit of thirty (30) days or less. Should balances fall below the 15% of budget limit, the Treasurer's Office will notify members of the investment committee and have a 60-day cure period.

(b) The remainder of the liquidity component shall have a maturity limit of one (1) year or less.

C. Portfolio Duration.

The County Treasurer and the Investment Officer, with the advice of the Investment Advisor, shall manage the portfolio to the approved benchmark duration and an asset allocation strategy approved by the County Treasurer and County Board of Finance in order to approximate market returns on the investment portfolio.

D. Credit Quality.

The issuer credit ratings shall from a nationally recognized statistical rating agency.

The following issuer credit rating limits shall apply for both components of the portfolio:

Short Term Credit Rating	A1, P1, F-1 MIG-1 or better
Long Term Credit Rating	A or better

IX. Reporting:

The Investment Officer shall prepare a monthly investment report for the County Treasurer, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions which were executed. The management summary will be prepared in a manner, which will allow the County Treasurer to ascertain whether investment activities during the reporting period are in compliance with the Investment Policy and New Mexico statutes.

The Investment Officer and the County Treasurer will prepare a monthly investment report, to be posted on the County intranet site, which is accessible to the County Board of Finance.

A. Specific Reporting Requirements.

The report will include, at a minimum, the following:

a. An executive summary that provides an analysis of the status of the current Investment Portfolio and the individual transactions that were executed;
b. An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
c. WAM and effective duration of the Investment Portfolio compared to applicable approved benchmarks;
d. Average portfolio credit quality;
e. Total rate of return for the Investment Portfolio for the one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
f. Any cash flow projections prepared for the portfolio;
g. Sensitivity or Shock analysis;
h. Transaction listing for the reporting period;
i. A report of primary issues purchased and report of secondary issues purchased or sold;
j. Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and,
k. Investment Compliance Review to include any violations of this Investment Policy.

B. Performance Standards.

- The Investment Portfolio will be compared to an approved benchmark that appropriately models an expected risk and return profile.

C. Quarterly Reporting.

On a quarterly basis, the County Treasurer and the Investment Officer shall prepare a quarterly investment report that describes the investment strategy employed during the past quarter and the strategy planned for the next quarter.

D. Annual Reporting.

At the next meeting after September 30 of each year, the County Treasurer and the Investment Officer shall prepare an annual investment report that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of portfolio return to performance benchmarks for the preceding fiscal year.

X. Approval:

This investment policy will be effective upon approval by the County Board of Finance and the County Treasurer.

This policy is hereby adopted by the Board of Finance on the _____
and will supersede all previously adopted investment policies.

APPROVED:

BERNALILLO COUNTY BOARD OF FINANCE

Art De La Cruz, Chair

Wayne A. Johnson, Vice Chair

Debbie O'Malley, Member

Maggie Hart Stebbins, Member

Lonnie C. Talbert, Member

Manny Ortiz, Bernalillo County Treasurer

APPROVED:

W. Ken Martinez, Bernalillo County Attorney

ATTEST:

Maggie Toulouse Oliver, Bernalillo County Clerk

BERNALILLO COUNTY COUNTY CLERK SEAL STATE OF NEW MEXICO